

**FOREIGN POLICY RESEARCH INSTITUTE
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019**



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**FOREIGN POLICY RESEARCH INSTITUTE
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Foreign Policy Research Institute
Philadelphia, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Foreign Policy Research Institute (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Foreign Policy Research Institute

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foreign Policy Research Institute as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
April 28, 2021

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,230,687	\$ 902,099
Grants Receivable (Note 1)	101,590	332,935
Investments	13,185	28,939
Pledges Receivable (Note 5)	55,000	75,000
Royalties and Other Receivables	53,927	58,507
Prepaid Expenses and Other Assets	9,094	9,427
Total Current Assets	1,463,483	1,406,907
PLEDGES RECEIVABLE, NET OF CURRENT PORTION	14,957	58,583
PROPERTY AND EQUIPMENT		
Equipment at Cost	165,640	165,640
Less: Accumulated Depreciation	(151,746)	(142,971)
Total Property and Equipment	13,894	22,669
OFFICE LEASE SECURITY DEPOSIT	4,955	4,955
Total Assets	\$ 1,497,289	\$ 1,493,114
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 134,942	\$ 110,202
Deferred Income (Note 1)	69,299	170,036
Total Current Liabilities	204,241	280,238
NET ASSETS		
Without Donor Restrictions	140,000	112,218
With Donor Restrictions (Note 6)	1,153,048	1,100,658
Total Net Assets	1,293,048	1,212,876
Total Liabilities and Net Assets	\$ 1,497,289	\$ 1,493,114

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 445,868	\$ 284,937	\$ 730,805	\$ 620,332	\$ 272,692	\$ 893,024
Grants	186,718	1,185,343	1,372,061	-	1,103,304	1,103,304
Memberships and Partnerships	175,643	-	175,643	229,523	-	229,523
Royalties and Editorial Income	149,192	-	149,192	154,619	-	154,619
Event Income	190	-	190	21,853	-	21,853
Investment Income, Net	2,218	-	2,218	4,528	-	4,528
Other Income	4,436	-	4,436	1,794	-	1,794
Total Support	<u>964,265</u>	<u>1,470,280</u>	<u>2,434,545</u>	<u>1,032,649</u>	<u>1,375,996</u>	<u>2,408,645</u>
Net Assets Released from Restrictions	<u>1,417,890</u>	<u>(1,417,890)</u>	<u>-</u>	<u>1,391,930</u>	<u>(1,391,930)</u>	<u>-</u>
Total Support and Revenue	<u>2,382,155</u>	<u>52,390</u>	<u>2,434,545</u>	<u>2,424,579</u>	<u>(15,934)</u>	<u>2,408,645</u>
EXPENSES						
Program	1,921,873	-	1,921,873	1,913,931	-	1,913,931
Management and General	256,582	-	256,582	254,783	-	254,783
Fundraising	175,918	-	175,918	195,465	-	195,465
Total Expenses	<u>2,354,373</u>	<u>-</u>	<u>2,354,373</u>	<u>2,364,179</u>	<u>-</u>	<u>2,364,179</u>
CHANGE IN NET ASSETS	27,782	52,390	80,172	60,400	(15,934)	44,466
Net Assets - Beginning of Year	<u>112,218</u>	<u>1,100,658</u>	<u>1,212,876</u>	<u>51,818</u>	<u>1,116,592</u>	<u>1,168,410</u>
NET ASSETS - END OF YEAR	<u><u>\$ 140,000</u></u>	<u><u>\$ 1,153,048</u></u>	<u><u>\$ 1,293,048</u></u>	<u><u>\$ 112,218</u></u>	<u><u>\$ 1,100,658</u></u>	<u><u>\$ 1,212,876</u></u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	Supporting Services				Total
	Program	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 859,246	\$ 125,128	\$ 110,715	\$ 235,843	\$ 1,095,089
Employee Health and Retirement Benefits	51,290	10,952	6,644	17,596	68,886
Payroll Taxes	56,666	14,249	12,641	26,890	83,556
Total Salaries and Related Expenses	<u>967,202</u>	<u>150,329</u>	<u>130,000</u>	<u>280,329</u>	<u>1,247,531</u>
Office and Equipment Rentals	11,625	6,040	183	6,223	17,848
Depreciation	5,715	2,970	90	3,060	8,775
Dissemination	12,490	870	19,043	19,913	32,403
Honoraria and Stipends	707,383	17,527	-	17,527	724,910
Information Systems	35,050	15,382	1,317	16,699	51,749
Occupancy	71,441	30,286	20,394	50,680	122,121
Outside Services	14,001	7,275	220	7,495	21,496
Supplies and Postage	33,534	3,316	3,774	7,090	40,624
Telephone and Internet	9,682	4,164	126	4,290	13,972
Travel	18,638	2,343	-	2,343	20,981
Conferences and Lectures	6,508	382	247	629	7,137
Meetings	2,283	3,387	-	3,387	5,670
Subscriptions and Memberships	-	126	-	126	126
Insurance	10,175	5,287	160	5,447	15,622
Finance Charges	4,925	1,771	54	1,825	6,750
Other	11,221	5,127	310	5,437	16,658
Total Other Expenses	<u>954,671</u>	<u>106,253</u>	<u>45,918</u>	<u>152,171</u>	<u>1,106,842</u>
Total Functional Expenses	<u>\$ 1,921,873</u>	<u>\$ 256,582</u>	<u>\$ 175,918</u>	<u>\$ 432,500</u>	<u>\$ 2,354,373</u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	Supporting Services				Total
	Program	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 619,902	\$ 132,035	\$ 104,634	\$ 236,669	\$ 856,571
Employee Health and Retirement Benefits	51,947	12,181	8,312	20,493	72,440
Payroll Taxes	42,933	12,115	9,962	22,077	65,010
Total Salaries and Related Expenses	<u>714,782</u>	<u>156,331</u>	<u>122,908</u>	<u>279,239</u>	<u>994,021</u>
Office and Equipment Rentals	10,504	4,753	341	5,094	15,598
Depreciation	6,741	3,050	219	3,269	10,010
Dissemination	33,771	1,533	46,828	48,361	82,132
Honoraria and Stipends	690,781	30	-	30	690,811
Information Systems	39,186	17,714	1,652	19,366	58,552
Occupancy	73,369	28,109	17,628	45,737	119,106
Outside Services	12,738	5,538	397	5,935	18,673
Supplies and Postage	35,751	4,683	1,525	6,208	41,959
Telephone and Internet	7,834	3,456	248	3,704	11,538
Travel	68,907	8,887	1,052	9,939	78,846
Conferences and Lectures	168,945	-	975	975	169,920
Meetings	12,873	10,337	49	10,386	23,259
Subscriptions and Memberships	247	409	-	409	656
Insurance	10,055	4,550	326	4,876	14,931
Finance Charges	3,978	1,547	111	1,658	5,636
Other	23,469	3,856	1,206	5,062	28,531
Total Other Expenses	<u>1,199,149</u>	<u>98,452</u>	<u>72,557</u>	<u>171,009</u>	<u>1,370,158</u>
Total Functional Expenses	<u>\$ 1,913,931</u>	<u>\$ 254,783</u>	<u>\$ 195,465</u>	<u>\$ 450,248</u>	<u>\$ 2,364,179</u>

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 80,172	\$ 44,466
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	8,775	10,010
Net Realized and Unrealized (Gain) Loss on Investments	(1,150)	1,231
(Increase) Decrease in:		
Grants Receivable	231,345	17,065
Royalties and Other Receivables	4,580	6,217
Pledges Receivable	63,626	13,295
Prepaid Expenses and Other Assets	333	9,908
(Increase) Decrease in:		
Accounts Payable and Accrued Expenses	24,740	(23,887)
Deferred Income	(100,737)	(16,223)
Net Cash Provided by Operating Activities	311,684	62,082
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(49,640)	(97,685)
Proceeds from Sale of Investments	66,544	73,977
Net Cash Provided (Used) by Investing Activities	16,904	(23,708)
INCREASE IN CASH AND CASH EQUIVALENTS	328,588	38,374
Cash and Cash Equivalents - Beginning of Year	902,099	863,725
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,230,687	\$ 902,099
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES		
Equipment Acquired through Capital Lease	\$ -	\$ 26,325

See accompanying Notes to Financial Statements.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Foreign Policy Research Institute (the Institute) is devoted to bringing the insights of scholarships to bear on the development of policies that advance the United States of America's national interests. The Institute emphasizes the study of history, geography, and culture to illuminate contemporary international affairs. Derivative from this is the Institute's Butcher History Institute and Wachman Center for Civic and International Literacy, which provide professional development for high school teachers in American and world history and international affairs.

Financial Statement Presentation

The Institute is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions, depending on the existence or absence of any donor restrictions.

Promises to Give and Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. The gifts are reported as net assets with donor restrictions or net assets without donor restrictions depending on the existence or absence of any donor restrictions. When a donor restriction expires, that is when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as contributions without donor restrictions in the accompanying financial statements.

Deferred Income

Membership and partnership revenue is deferred at fiscal year-end. A proportionate amount of the yearly membership price is credited to revenue annually. Costs connected with the Institute's membership are expensed as incurred. Additionally, deferred income includes publication fees earned, but paid in the following year.

Publications and Research Books

Publication costs are expensed when incurred, and revenues are recorded when realized with the production, editorial, and sale, respectively, of publications by the Institute. The Institute has a supply of publications for sale which are not reflected in the statements of financial position. Also, the substantial collection of research books and periodicals maintained by the Institute is not reflected in the statements of financial position, as its value is not readily determinable.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equipment and Depreciation

The Institute capitalizes all expenditures for equipment in excess of \$2,000. Equipment is capitalized at cost. Maintenance and repairs are charged to operations as incurred. Depreciation is computed on a straight-line basis using estimated useful lives of three to seven years. Depreciation expense for the years ended of December 31, 2020 and 2019 was \$8,775 and \$10,010, respectively.

Functional Expenses

The costs of the Institute's programs and supporting services have been reported on a functional basis. This requires the allocation of certain costs among the various programs and supporting services benefited based on direct charges or time and effort. Accordingly, certain costs have been allocated among the classifications benefited: program, management and general, and fundraising. Allocations of employee expenses are based on estimated hours tracked by function within their areas of work. Additional expenses are allocated at year-end based on specific percentages.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Institute considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Grants Revenue and Receivable

The Institute is awarded funding from external sources such as a federal agency or private organization. This funding could either signify a reciprocal (exchange) or nonreciprocal (nonexchange) transaction. In an exchange transaction, both the Institute and sponsor receives and gives up nearly equal value. In a nonexchange transaction, the resources provided by the sponsor could be for benefit of the Institute, to further the sponsor's mission, or the general public.

The revenue from exchange transactions is recognized as performance obligations are satisfied, which is often as allowable costs are incurred. As such, amounts received are recognized as revenue when the Institute has incurred expenditures in compliance with specific contract or grant provisions. The revenue from nonexchange transactions (conditional contributions) is generally subject to the following two conditions: 1) a barrier that must be overcome before the Institute is entitled to the funding promised and 2) a right of return of the funding provided by the sponsor or a right of release from the sponsor's obligation to provide the funding promised, if the barrier is not successfully overcome. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Institute recognized \$373,000 of grant revenues based on direct expenditures and related indirect costs funded by a conditional grant as of December 31, 2020. The Institute did not receive cost reimbursable grants in 2020.

The Institute expects grants receivable to be fully collectible within one year. Accordingly, no allowance for doubtful accounts is required. Balances that are still outstanding after the Institute has used reasonable collection efforts are written off through a charge to operations.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are recorded at fair value based upon quoted market prices. Realized and unrealized gains and losses are reflected in the statement of activities as investment income. Investment transactions are recorded on the trade date.

The Institute uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

Equity securities and mutual funds valued using Level 1 inputs are traded on an active exchange. The Institute does not have any securities that are valued using Level 2 or Level 3 inputs.

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their fair market values at the date of donation.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Tax Status

The Institute is exempt from Federal income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and applicable state law. Accordingly, there is no provision for income taxes. The Institute is not aware of any activities that would jeopardize its tax-exempt status, nor is it aware of any of its activities that are subject to tax on unrelated business income taxes.

The Institute follows the guidance in the income tax standard regarding the recognition and measurement of uncertain tax positions. The application of this standard had no impact on the Institute's financial statements, as management has not taken any uncertain tax positions in 2020.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (Continued)

The Institute's income tax returns are subject to review and examination by federal, state, and local authorities.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases*. The ASU establishes guidance that will result in a more faithful representation of the rights and obligations arising from leases by requiring lessees to recognize the lease assets and lease liabilities that arise from leases in the statement of financial position and to disclose qualitative and quantitative information about lease transactions. The new guidance will result in fewer opportunities for organizations to structure leasing transactions to achieve a particular accounting outcome on the statement of financial position and will improve the understanding and comparability of lessees' financial commitments regardless of the manner they choose to finance the assets used in their businesses. In June 2020, the FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, which deferred the effective date to the year ending December 31, 2022. At adoption, the Institute will recognize a right-of-use asset and a lease liability measured at the present value of its operating lease payments. The Institute is assessing the impact this standard will have on its financial statements.

Subsequent Events

In preparing these financial statements, the Institute has evaluated subsequent events and transactions for potential recognition or disclosure through April 28, 2021, the date the financial statements were available to be issued.

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS

Performance Obligations and Revenue Recognition

Memberships and partnerships revenue are on an anniversary-date basis and are recognized ratably over the membership/partnership period. Royalty and editorial income is recognized ratably over the periods covered. Grant revenue is recognized as expenditures are made for the particular grant. Any payments received prior to year-end related to future periods are recorded as deferred income in the accompanying statements of financial position. Deferred income includes the unearned portion of memberships, partnerships and editorial income at the end of the fiscal year. Grants receivable is revenue earned under the grant but not yet received. Royalties receivable is revenue earned under the royalty agreement but not yet received.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

Performance Obligations and Revenue Recognition (Continued)

The following table shows the Institute's revenues disaggregated according to the timing of the transfer of goods or services and by source for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Revenue Recognized at a Point in Time:		
Grants	<u>\$ 335,700</u>	<u>\$ 140,219</u>
Revenue Recognized Over Time:		
Memberships	\$ 60,757	\$ 82,397
Partnerships	114,886	147,126
Royalties	49,192	54,619
Editorial Income	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 324,835</u>	<u>\$ 384,142</u>

The Institute's contract assets and liabilities consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Contract Assets:		
Accounts Receivable - Grants	\$ 101,590	\$ 37,300
Accounts Receivable - Royalties	<u>48,550</u>	<u>53,732</u>
	<u>\$ 150,140</u>	<u>\$ 91,032</u>
Contract Liabilities:		
Deferred Revenue - Memberships	\$ 29,580	\$ 41,134
Deferred Revenue - Partnerships	39,719	78,902
Deferred Revenue - Editorial Income	-	50,000
Total	<u>\$ 69,299</u>	<u>\$ 170,036</u>

Transaction Price

Revenue, or transaction price, is measured as the amount of consideration expected to be received in exchange for transferring goods or services. Memberships and partnerships are reported at established rates. Editorial income is a fixed fee paid biannually as outlined in an executed contract. Royalties is a variable amount that is paid out once a certain dollar amount has been achieved. Grants are determined under the executed agreement.

Contract Balances

Revenue from memberships and partnerships is recognized ratably over the membership year. The Institute's performance obligations are to provide a minimum number of scheduled programs each year, impromptu briefings, and regular bulletins. As these performance obligations are satisfied over the course of a year, deferred income is reduced. Royalty and editorial income is recognized ratably throughout the term of the contract. The Institute's performance obligation is to review editorial content in exchange for a fixed fee, paid biannually. The balance of deferred income represents an installment payment received in advance for editorial services to be rendered the following year and accordingly, deferred income will be reduced as this performance obligation is satisfied subsequent to year-end.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 3 CONCENTRATION OF CREDIT RISK

The Federal Deposit Insurance Corporation (FDIC) currently insures up to \$250,000 of substantially all depository accounts held at each financial institution. At various times during the year, the Institute's cash deposits may exceed the federally insured limits. The Institute has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on its cash and cash equivalents.

NOTE 4 INVESTMENTS

Investments consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Equity Securities	\$ -	\$ 17,612
Mutual Fund	13,185	11,327
Total Investments	<u>\$ 13,185</u>	<u>\$ 28,939</u>

Investment income consists of the following for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Interest and Dividends	\$ 1,068	\$ 5,759
Net Realized and Unrealized Gain (Loss) on Investments	1,150	(1,231)
Total Investment Income, Net	<u>\$ 2,218</u>	<u>\$ 4,528</u>

NOTE 5 PLEDGES RECEIVABLE

The Institute records unconditional promises to give as pledges receivable. Accounts are individually analyzed for collectability. Management determined no allowance for bad debts was necessary at December 31, 2020 and 2019. Pledges due beyond one year are discounted to the present value using a discount rate of 0.10%.

Pledges receivable consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Receivable in Less Than One Year	\$ 55,000	\$ 75,000
Receivable in One to Five Years	15,000	60,000
Total	70,000	135,000
Less: Discounts to Present Value	43	1,417
Net Contribution Receivable	<u>\$ 69,957</u>	<u>\$ 133,583</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods and net assets were released from donor restrictions by satisfying time and purpose restrictions as follows for the year ended at December 31, 2020:

	Beginning Balance	Gifts Received	Released from Restrictions	Ending Balance
Restricted for Purpose:				
Programs: Asia	\$ 135,000	\$ 125,000	\$ (126,149)	\$ 133,851
Programs: Chair in Geopolitics	-	80,244	(80,244)	-
Programs: Eurasia	215,001	250,000	(208,051)	256,950
Programs: Middle East	3,956	75,000	(3,956)	75,000
Programs: Teaching Military History & Center for the Study of America and the West	89,932	-	(31,881)	58,051
Programs: Education	54,991	78,692	(46,665)	87,018
Fellows: Distinguished Research Fellow	46,955	100,000	(100,158)	46,797
Fellows: Mideast Research Fellow	-	10,000	-	10,000
Fellows: Templeton Fellows	94,930	-	(94,930)	-
Fellows: Veterans Fellow	25,000	-	(7,222)	17,778
Research: American Vulnerabilities Project	17,812	-	(17,812)	-
Research: Between Empire and Anarchy from the Mediterranean to China	-	178,311	(13,354)	164,957
Research: Ending the Wars in Syria and Iraq	-	61,140	(61,140)	-
Research: Export Controls & Semiconductor Supply Chains	-	50,000	(13,555)	36,445
Research: Managing the Second Nuclear Age	4,400	-	-	4,400
Research: The "New Turkey" Revolution	149,600	-	(47,512)	102,088
Research: Displacement & Dispossession in the 21st Century	41,140	-	-	41,140
Research: Russian Power in the Pacific	12,108	-	(12,108)	-
Research: Engaging Arab Societies	26,400	-	(10,235)	16,165
Research: The Hunt for Mobile Missiles and Nuclear Stability	18,643	-	(18,643)	-
Research: Cyber Intrusion and the Threat to the U.S. Economy	19,006	-	(19,006)	-
Research: Democracy in Iraq	12,426	-	(12,426)	-
Research: Foreign Influence Election 2020	81,103	25,000	(88,955)	17,148
Research: Mapping Russia's Economic Leverage	21,305	-	(21,305)	-
Research: Military Defense & US Sanctions	10,661	335,700	(346,361)	-
Research: The US in the Middle East	-	50,000	(22,222)	27,778
Research: Transatlantic Turkey Trialog	-	4,000	(4,000)	-
Research: The Atlantic System in a World of Great Power Rivalry	-	40,000	-	40,000
Project: Intern Scholarships	10,289	7,193	-	17,482
Restricted for Purpose	<u>1,090,658</u>	<u>1,470,280</u>	<u>(1,407,890)</u>	<u>1,153,048</u>
Restricted for Time:				
Pledges for Operations: Restricted for Time	10,000	-	(10,000)	-
Total	<u>\$ 1,100,658</u>	<u>\$ 1,470,280</u>	<u>\$ (1,417,890)</u>	<u>\$ 1,153,048</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets with donor restrictions are restricted for the following purposes or periods and net assets were released from donor restrictions by satisfying time and purpose restrictions as follows for the year ended at December 31, 2019:

	Beginning Balance	Gifts Received	Released from Restrictions	Ending Balance
Restricted for Purpose:				
Programs: Asia	\$ 180,320	\$ 135,000	\$ (180,320)	\$ 135,000
Programs: Eurasia	187,304	266,050	(238,353)	215,001
Programs: Middle East	49,151	76,000	(121,195)	3,956
Programs: Teaching Military History & Center for the Study of America and the West	164,350	-	(74,418)	89,932
Programs: Think Tanks and Civil Societies	7,110	-	(7,110)	-
Programs: Education	-	95,390	(40,399)	54,991
Fellows: Distinguished Research Fellow	49,237	100,000	(102,282)	46,955
Fellows: Templeton Fellows	99,930	100,000	(105,000)	94,930
Fellows: Veterans Fellow	27,000	25,000	(27,000)	25,000
Research: American Vulnerabilities Project	55,548	-	(37,736)	17,812
Research: Managing the Second Nuclear Age	4,400	-	-	4,400
Research: The "New Turkey" Revolution	-	149,600	-	149,600
Research: Displacement & Dispossession in the 21st Century	48,878	-	(7,738)	41,140
Research: Russian Power in the Pacific	85,031	-	(72,923)	12,108
Research: Engaging Arab Societies	26,400	-	-	26,400
Research: The Hunt for Mobile Missiles and Nuclear Stability	72,817	-	(54,174)	18,643
Research: Cyber Intrusion and the Threat to the U.S. Economy	40,129	-	(21,123)	19,006
Research: Democracy in Iraq	-	22,435	(10,009)	12,426
Research: U.S. Presence in the Middle East	-	65,000	(65,000)	-
Research: Criteria for Nuclear Forces	-	102,919	(102,919)	-
Research: Foreign Influence Election 2020	-	100,000	(18,897)	81,103
Research: Mapping Russia's Economic Leverage	-	100,000	(78,695)	21,305
Research: Military Defense & US Sanctions	-	37,300	(26,639)	10,661
Project: Intern Scholarships	8,987	1,302	-	10,289
Restricted for Purpose	<u>1,106,592</u>	<u>1,375,996</u>	<u>(1,391,930)</u>	<u>1,090,658</u>
Restricted for Time:				
Pledges for Operations: Restricted for Time	10,000	-	-	10,000
Total	<u>\$ 1,116,592</u>	<u>\$ 1,375,996</u>	<u>\$ (1,391,930)</u>	<u>\$ 1,100,658</u>

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 EMPLOYEE RETIREMENT PLAN

The Institute has a contributory retirement plan in accordance with Section 403(b) of the IRC. Employees may contribute up to the limits allowable by the IRC. The Institute will match employee contributions up to 5% of their eligible salary.

For the years ended of December 31, 2020 and 2019, pension expense was \$21,617 and \$30,428, respectively.

NOTE 8 OPERATING AND CAPITAL LEASE COMMITMENTS

The Institute leases its office in Philadelphia, Pennsylvania, under a long-term, noncancellable lease arrangement expiring December 31, 2021. The current minimum monthly base rent is \$8,923 with an increase occurring each January.

Rent expense for the years ended of December 31, 2020 and 2019 was \$121,629 and \$117,647, respectively, which includes common building expenses.

The Institute also leases office equipment under long-term, noncancellable lease arrangements with minimum monthly payments of \$1,597, expiring from March 2020 through December 2023.

Office equipment lease expense for the years ended of December 31, 2020 and 2019 was \$17,624 and \$15,509, respectively.

The Institute leases a server under a long-term, noncancellable capital lease arrangement with a minimum monthly payment of \$846, expiring in July 2022. The capital lease expense for the years ended of December 31, 2020 and 2019 was \$10,152 and \$4,230.

Future minimum annual lease payments for operating and capital leases are as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Capital</u>
2021	\$ 126,577	\$ 10,152
2022	25,061	5,922
2023	14,795	-
Total	<u>\$ 166,433</u>	<u>\$ 16,074</u>

NOTE 9 LIQUIDITY

As part of the Institute's liquidity management, cash in excess of daily requirements is invested in short-term investments, preserving at least 60 days of normal operating expenses in liquid financial assets. The Institute does not have a board-designated reserve fund or a working capital line of credit.

**FOREIGN POLICY RESEARCH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
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NOTE 9 LIQUIDITY (CONTINUED)

The Institute includes both restricted and operational assets being available for general expenditure within one year of December 31; they are as follows:

	2020	2019
Cash and Cash Equivalents	\$ 1,230,687	\$ 902,099
Investments	13,185	28,939
Grants Receivable	101,590	332,935
Pledges Receivable	55,000	75,000
Royalties and Other Receivables	53,927	58,507
Total	\$ 1,454,389	\$ 1,397,480

NOTE 10 PAYCHECK PROTECTION PROGRAM

On May 8, 2020, the Institute received proceeds in the amount of \$167,100 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the Paycheck Protection Program (the PPP Loan). The PPP loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act. Therefore, the Institution has classified this loan as a conditional contribution for accounting purposes. The Institution recognized \$167,100 of grant revenue related to this agreement during the year ended December 31, 2020, which represents the portion of the PPP loan funds for which the performance barriers have been met. The covered period from 5/8/2020 – 7/2/2020 is the time that the Institute had to spend their PPP Loan funds.

On March 2, 2021, the Institute received notice from the U.S. Small Business Administration that their Paycheck Protection Program promissory note was forgiven in full.

NOTE 11 RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Institute, COVID-19 impacted the Institute's ability to hold fundraising events and in-person instruction in 2020 and is expected to impact various parts of its 2021 operations and financial results. Management believes the Institute is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events continue to develop.

